RECORD AND BRIEFS

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No. 10-1019

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IN THE

Supreme Court of the United States

ABBYY PRODUCTION, LLC,
Petitioner,

v.

NUANCE COMMUNICATIONS, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR THE PETITIONER

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RULE 29.6 CORPORATE DISCLOSURE STATEMENT

The Rule 29.6 Corporate Disclosure Statement found in the petition for writ of certiorari remains accurate.

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REPLY BRIEF FOR THE PETITIONER

INTRODUCTION

Petitioner ABBYY Production, LLC ("Petitioner" or "ABBYY Production") respectfully submits this Reply Brief to address new points raised in the opposition brief ("Opp.") of Respondent Nuance Communications, Inc. ("Nuance"). S. Ct. R. 15.6.

Petitioner has raised two questions of broad significance and application. The first question is whether compliance with a treaty, the Hague Service Convention ("the Convention"),[1] is mandatory where, as in

[1] The Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil and Commercial Matters, Nov. 15,

this case, service on a foreign corporation can be accomplished under state law only by "service abroad" or whether such compliance may be excused by a court whenever there is evidence that a foreign signatory has failed in the past to live up to its treaty obligations. Pet. App. 50a. The second question is whether a court may assert personal jurisdiction over a foreign software developer based on the developer's act of electronically shipping a master copy of the software to a nonexclusive licensee within the United States, which is free to modify and sell the software within this country.

In its opposition, Nuance contends that the first question, while "novel," is not worthy of this Court's review because, according to Nuance, the Federal Circuit's decision that compliance with the Convention was not mandatory in this case does not conflict with "any decision of other circuits or this Court." Opp. 1. Regarding the second question, Nuance similarly posits a lack of decisional conflict but also contends that the Federal Circuit's decision is "fact-bound" and therefore does not warrant this Court's consideration. Opp. 1-2.

ABBYY Production respectfully disagrees. Whether the Federal Circuit should have applied the Convention according to its terms is not the novelty suggested by Nuance. Rather, whether a treaty between nations is binding is of national importance. In this case, the Federal Circuit held that a litigant is, in Nuance's word, "excused" from fulfilling legal obligations under the Convention notwithstanding the clear and unequivocal terms of the treaty itself, a

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1965 (Hague Service Convention), [1969] 20 U.S.T. 361, is set forth in full at Pet. App. 50a-63a.

federal statute denominating the treaty as mandatory, and this Court's precedents holding the treaty mandatory as the supreme law of the land.[2]

Moreover, whether the treaty's obligations should have been excused raises the overriding issue of which branch of government has the power to do so. In permitting the judiciary to excuse domestic compliance with an international treaty whenever there is evidence of past noncompliance by a foreign signatory, the Federal Circuit acted contrary to long-settled precedents of this Court holding that the judicial branch does not possess the power to alter treaty obligations. Notably, Nuance never addresses these precedents in its opposition.

This case also asks whether U.S. patent laws have application under circumstances in which this Court's precedents say they do not. This Court recently held that acts taken with respect to master copies of computer software do not support patent liability. Notwithstanding, the Federal Circuit held here that a Russian software developer may be fairly haled into federal court in San Francisco to answer patent-infringement claims based on the developer's act of transmitting over the Internet a master copy of software from Moscow to California. That central fact supported the Federal Circuit's holding below, a holding that, contrary to Nuance's suggestion, is at odds with precedents of this Court as well as other circuits. As a result, this Court should answer the patent law question presented and reaffirm the proper scope of U.S. patent laws in the software field.

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[2] *See* Opp. 12 (characterizing the decision below as excusing Nuance's noncompliance with an otherwise mandatory treaty).

ARGUMENT

I. UNDER THE FEDERAL CIRCUIT'S DECISION, COMPLIANCE WITH THE CONVENTION IS NO LONGER MANDATORY.

Despite Nuance's claim to the contrary, the Federal Circuit's decision not to apply the Convention conflicts with *Volkswagenwerk Aktiengesellschaft v. Schlunk*, 486 U.S. 694 (1988) ("*Schlunk*"). In *Schlunk*, this Court held that, "if the internal law of the forum state defines the applicable method of serving process as requiring the transmittal of documents abroad, then the Hague Service Convention applies." *Id.* at 700. Here, the law of the forum state, California, requires service abroad and therefore makes the Convention applicable in the plainest of terms. Pet. 9 (quoting Cal. Code Civ. P. § 413.10(c) (West 2011).[3] Under these circumstances, the Convention provides "the exclusive means of valid service." *Schlunk*, 486 U.S. at 706.

In an exercise reminiscent of the Federal Circuit's decision, Nuance acknowledges the Convention's mandatory character but nevertheless fails to apply its required provisions governing service, as *Schlunk* directs. Opp. 11. But the Convention does not govern if a court does not require utilization of its "exclusive means of valid service" but rather authorizes other means not permitted by the Convention or state law.

Ignoring *Schlunk's* mandatory application of the Convention in favor of a view that renders its use optional whenever there is a record of a foreign signatory's noncompliance, Nuance artificially distin-

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[3] Nuance makes no claim to the contrary.

guishes *Schlunk* on its facts. Opp. 12-13. In *Schlunk*, Illinois law provided that service through the Convention was unnecessary because the Illinois long-arm statute did not require service in a foreign country. *Schlunk*, 486 U.S. at 706. However, where, as here, state law requires service abroad, compliance with the Convention is mandatory and its means of service are exclusive. *Id.* at 706 ("Those who eschew [the Convention's] procedures risk discovering that the forum's internal law required transmittal of documents for service abroad, and that the Convention therefore provided the exclusive means of valid service.") Along the same lines as the Federal Circuit below, Nuance never confronts in its opposition this central principle of *Schlunk*.

Again contrary to Nuance's claim, the Federal Circuit's decision also conflicts with the Ninth Circuit's decision in *Brockmeyer v. May*, 383 F.3d 798 (9th Cir. 2004). As discussed in the Petition, Rule 4(f) accords the Convention the primacy this Court recognized in *Schlunk*, designating it as mandatory where it applies, Fed. R. Civ. P. 4(f)(1), and providing alternative means of service *only* where the Convention does not apply or does not prohibit these alternative means, Fed. R. Civ. P. 4(f)(2) & (3). Pet. 11. In *Brockmeyer*, the Convention governed because the Ninth Circuit analyzed it to determine whether, as between the United States and the United Kingdom, the treaty permitted the alternative means of service set forth in Rule 4(f)(2) and 4(f)(3). *Brockmeyer*, 383 F.3d at 800 ("In this case, after determining that the Hague Convention does not prohibit service by international mail, the necessary next step is to analyze Rule 4(f) to determine whether it affirmatively authorizes such service."). After evaluating the alternative subsections of Rule 4(f), the Ninth Circuit

in *Brockmeyer* concluded that none authorized the service method used in that case. *Id.* at 809. This necessary step of having the Convention govern the analysis under Rule 4 was not performed by the Federal Circuit here. As a result, a conflict between the circuits is presented.

Nuance's distinction of *Brockmeyer* as a case involving a signatory country in compliance with its obligations under the treaty is beside the point. Opp. 11. The point is that, in *Brockmeyer*, the treaty governed the question whether alternative forms of service were permitted. There, the Ninth Circuit analyzed Rules 4(f)(2) and 4(f)(3) to determine whether service by international mail was authorized because Article 10 of the Convention permitted the court to apply these provisions. *See Brockmeyer*, 383 F.3d at 801 (quoting Article 10(a) of the Convention which states that, "[p]rovided the State of destination does not object," the Convention shall not interfere with other methods of serving documents, including service by international mail). Here, by contrast, the Federal Circuit held that Rule 4(f)(3) authorized alternative service, Pet. App. 35a-37a, ignoring Russia's objection to such means of service under Article 10 and the qualification of Rule 4(f)(3) that such alternative means can only be used if "not prohibited by international agreement." Fed. R. Civ. P. 4(f)(3).

The Advisory Committee Note to the 1993 amendments to Rule 4 does *not* support the Federal Circuit's decision as Nuance argues. Opp. 14. The very quote Nuance relies upon contains the qualification on Rule 4(f)(3) that the Federal Circuit ignored, "the court may direct a special method of service not explicitly authorized by international agreement *if not prohibited by the agreement*." Fed. R. Civ. P. 4,

Advisory Committee Note To Subdivision (f)(3) (1993) (emphasis added). Here, the Russian Federation has objected to such alternative means, meaning that they are prohibited under the Convention. Pet. App. 34a.

Despite a signatory nation's right under the Convention to object to methods of service upon its citizens other than through a "Central Authority," as provided in Articles 2 through 6 of the Convention, Pet. App. 50a-52a, the Federal Circuit permits a U.S. litigant to bypass the Convention's exclusive means of service and utilize alternative means under Rule 4(f)(3) to which the signatory nation does not consent. Because it lacks other support, this holding must be based on the Federal Circuit's view that "Rule 4(f)(3) is not subsumed within or in any way dominated by Rule 4(f)'s other subsections," but instead "stands independently, on equal footing." Pet. App. 34a (quoting *Rio Props., Inc. v. Rio Int'l Interlink*, 284 F.3d 1007, 1015 (9th Cir. 2002).)[4]

However, Nuance claims that the above-quoted statement does not mean the Federal Circuit views the Convention as optional. Opp. 7 n.4. Instead, Nuance posits that alternative service methods under

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[4] Nuance cites two district court opinions that reach the same conclusion as the Federal Circuit that the Convention is optional. Opp. 13-14. Contrary to Nuance's argument, this *supports* granting the petition. The Federal Circuit has endorsed the broad view that a litigant need not comply with the Convention because Rule 4(f)(3) creates an independent basis affirmatively permitting service upon a foreign defendant even if not consented to. Pet. App. 34a (quoting *Rio Props., Inc.*, 284 F.3d at 1015.) Unless the Court reviews this decision and holds otherwise, this view that the Convention is optional will persist.

Rule 4(f)(3) only come into play when there has been a "repudiation of the Convention" by a signatory nation followed by a judicial determination that a party is, as a result, "excused" from attempting compliance with the Convention's requirements. *Id.*

However, Nuance has no good answer to ABBYY Production's separation-of-powers argument and fails to address this Court's precedents establishing that the judiciary possesses no authority to assess another sovereign's performance under a treaty or to sanction U.S. repudiation of a treaty. Pet. 12-14. Instead, Nuance engages in a failed effort to cast the State Department circular as an official pronouncement of the Executive. Opp. 11 & 14 n.5. However, that document, posted on the Department's website, expressly states that it is not for use in litigation: "The U.S. Department of State does not intend by the contents of this circular to take a position on any aspect of any pending litigation." C.A.F.C. J.A. 316.

Nuance further describes the Federal Circuit's decision as "prescrib[ing] a fair method for a U.S. plaintiff to proceed in the face of a foreign signatory's non-compliance" instead of abrogation of a treaty. Opp. 14 n.5. But this is just abrogation by another name. The Federal Circuit's "fair method" is to excuse altogether Nuance's performance under the treaty, thus negating its terms and usurping the role of Congress and the Executive branches. And while it may be true that the Executive and Congress are not involved in ABBYY Production's proposed rule that, at a minimum, a litigant attempt to serve the complaint by means mandated by the Convention, (Opp. 14 n.5), such a rule has the signal virtue of keeping the judiciary out of the business of deciding what level of past noncooperation justifies relieving

the United States and its citizens from compliance with a negotiated treaty, thus entirely avoiding the separation of powers concern.[5] And by mandating that Nuance actually create a controversy in this case by attempting service and demonstrating noncompliance, this Court would properly limit the judicial role to its Article III bounds. Courts would then only answer questions actually presented by a foreign country's non-performance and not hypothetical questions posed by past noncooperation such as the one answered by the Federal Circuit below.

II. THE FEDERAL CIRCUIT AGAIN CONSTRUED ACTS WITH RESPECT TO MASTER COPIES OF SOFTWARE AS SOURCES OF PATENT INFRINGEMENT LIABILITY AND EXPANDED THE REACH OF PERSONAL JURISDICTION UNDER THE "STREAM OF COMMERCE" THEORY BEYOND THIS COURT'S PRECEDENT.

Contrary to Nuance's claim, the Federal Circuit's personal jurisdiction holding conflicts with *Microsoft Corp. v. AT&T Corp.* (*"Microsoft"*), 550 U.S. 437 (2007). In this case, ABBYY Production has been haled into federal court to answer for acts taken with respect to master copies of software. This cannot be

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[5] Nuance's scenario that requiring an attempt at service under the Convention will result in infringers flocking to Russia knowing that suits against them will be delayed is fanciful. Opp. 14. First, the evidence is that requests for service to the Russian Central Authority have simply been returned unexecuted and there is no evidence of undue delay. Pet. App. 31a. And in any event, Nuance's position takes as a given that the Russian Federation will continue to fail to fulfill its obligations under the Convention and will never reevaluate and alter its position or practices.

squared with *Microsoft*, where the Court held that acts taken with respect to master copies of software cannot be sources of patent infringement liability. *Id.* at 451 ("What retailers sell, and consumers buy, are *copies* of software."((emphasis in original)).

That *Microsoft* did not involve personal jurisdiction or 35 U.S.C. §§ 271(a), (b), or (c) are distinctions without a difference. Opp. 16. The root question in both cases is whether a defendant infringes a patent based on its actions regarding master copies of software. *Microsoft* says no and the Federal Circuit has again said yes in this case.[6]

The question is not, as Nuance contends, fact-laden. Opp. 17. Following its personal-jurisdiction precedent, the Federal Circuit rested its decision on a Section 271 act. Pet. App. 22a. And the only Section 271 act that supports jurisdiction according to the Federal Circuit is the importation of master copies of software. *Id.* The other facts Nuance points to are tangential to said importation and were unnecessary to the Federal Circuit's holding. Opp. 17. For example, statements attributed to ABBYY Production regarding intent to serve the U.S. market are not Section 271 acts and would not, in the absence of importation of the master copy of the software, support the Federal Circuit's assertion of jurisdiction.

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[6] In *Microsoft*, this Court held that the software at issue in that case "can cause infringing conduct to occur * * * only when expressed as a computer-readable copy," clearly implicating the subparts of Section 271 at issue here. *Microsoft*, 550 U.S. at 451 n. 12 (internal quotations omitted).

Aside from relying on nonessential facts, Nuance never addresses how the Federal Circuit's decision can be squared with *Asahi Metal Indus. Co., Ltd. v. Superior Ct. of Cal., Solano County* ("*Ashahi*"), 480 U.S. 102 (1987), and *World-Wide Volkswagen Corp. v. Woodson* ("*World-Wide Volkswagen*"), 444 U.S. 286 (1980). According to *Microsoft*, the master copy of software is not the good moving from manufacture to distribution to retail. *Microsoft*, 550 U.S. at 450-51. Therefore, neither stream-of-commerce theory advanced in *Asahi* supports jurisdiction over ABBYY Production where it has not even placed a good into the stream. Pet. 19.

Additionally, this Court has consistently held that jurisdiction may not be based consistent with due process on a third party's unilateral activity, even where the third party claims a relationship with the defendant. *World-Wide Volkswagen*, 444 U.S. at 298. Here, it is undisputed that ABBYY Production's nonexclusive licensee has the right to modify the software ABBYY Production provides under the agreement. Pet. 18. The Federal Circuit's assertion of jurisdiction over ABBYY Production is therefore contrary to this Court's precedents because it is based on licensing of software that the licensee has the unilateral right to modify. *Id.*

Nuance's factual distinctions regarding the court of appeals' decisions cited by ABBYY Production are off point. Opp. 17-20. Nuance fails to rebut ABBYY Production's central argument that these cases involved contractual relationships similar to the licensing agreement in this case, relationships that

do *not* support the exercise of jurisdiction. Pet. 20-22.[7]

CONCLUSION

Nuance's opposition, after all, demonstrates that this petition should be granted. As the Federal Circuit did, Nuance acknowledges the Convention as mandatory but fails to adequately explain how the Federal Circuit's excusal of Nuance's performance under the treaty squares with *Schlunk*. Nor can Nuance explain why judicial power includes the power to excuse performance under a treaty, essentially abrogating it due to a foreign signatory's past noncompliance.

Arguing consistency between the decision below and *Microsoft*, Nuance trains attention on facts unnecessary to the Federal Circuit's jurisdictional holding. Moreover, these facts have nothing to do with the question presented: whether actions taken with respect to a master copy of software support patent-infringement liability.

This case presents two issues of national importance: (1) whether a court may excuse compliance with mandatory provisions of the Hague Convention based on a signatory's past noncompliance; and (2) whether jurisdiction can be asserted against a foreign defendant based on importation of a master copy of

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[7] Nuance also claims that the "interlocutory posture" of this case presents an additional impediment to a grant of certiorari. Opp. 10. But this Court has long recognized that interlocutory orders on important legal issues, including jurisdictional ones, which are "fundamental to the further conduct of the case" provide a firm basis for a grant. *Larson v. Domestic & Foreign Commerce Corp.*, 337 U.S. 682, 684 n.3 (1949); *Land v. Dollar*, 330 U.S. 731, 734 (1947).

software which can be modified by the domestic recipient. Petitioner respectfully asks this Court to grant the petition and answer these important questions.

Respectfully submitted,

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